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ARRA Guidance Bulletin No. 3

TO: Agency Finance Directors

FROM: Jennifer Muir
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SUBJECT: Updated Procedures for Tracking American Recovery and Reinvestment Act Funds

DATE: April 21, 2009

The American Recovery and Reinvestment Act (ARRA) of 2009 requires that the State of South Carolina track and report all ARRA funds awarded to the State from the federal government. The Act provides for unprecedented levels of transparency and accountability intended to enable taxpayers to know how, when, and where tax dollars are being spent.

In addition, on March 20, 2009 Governor Mark Sanford issued Executive Order 2009-03 which established the South Carolina Stimulus Oversight, Accountability, and Coordination Task Force (Task Force). The Executive Order directs the Task Force to work with entities to maintain transparency, accountability, efficiency, and consistency with the ARRA in the spending of stimulus funds.

The policies and procedures that will be used to meet the stringent reporting requirements imposed by the ARRA and Executive Order 2009-03 as well as to facilitate tracking ARRA funds received and expended by state agencies through the state's centralized accounting system are detailed in the following paragraphs.

- Agencies should contact the Comptroller General's Office in sufficient time to enable the appropriate subfund(s) to be established **prior** to receiving ARRA funds. Additional information on subfunds is as follows:

The data element in STARS best suited for tracking funding is the 4-digit subfund. The first character of the subfund is used to indicate whether funding is for General Fund (1), Earmarked Funds (3), Restricted Funds (4), or Federal

Funds (5). It is expected that funding streams through ARRA will be designated as either Earmarked, Restricted, or Federal funds, and these could vary from agency to agency. The 3xxx subfunds are for funds that are received when any interest earned goes to the General Fund. The 4xxx subfunds are for funds that are received when any interest earned goes to the agency which “owns” the funds. The 5xxx subfunds are for funds that must be tracked through the Cash Management Improvement Act (CMIA). The CG’s Office will use a range of alphanumeric subfunds in all 3 categories (3xxx, 4xxx, 5xxx) to account for ARRA funds.

The last 3 digits of a STARS subfund is the “fund detail”. The fund detail the CG’s Office will use for tracking ARRA Funds will include “S” as the middle value and begin numbering with “1S1”. The next value for a fund detail will be “1S2”, “1S3”, etc. through “9S9”.

- **Transactions for All ARRA funds received and disbursed by state agencies must be recorded in subfunds established by the Comptroller General’s Office specifically to track ARRA activity.** These subfunds are identifiable by the letter “s” in the third position of a four digit subfund number (e.g. 51S3).
- Transactions must be recorded at a level of detail that enables taxpayers to readily see how the funds were used. For example, the transaction should show the payee and expenditure object code. Agencies that have reasons, such as privacy requirements, for not providing detail information should submit a written explanation to the Comptroller General’s Office Statewide Accounting Division requesting an exemption. This request can be submitted via mail, fax, or e-mail. The Comptroller General’s Office will review each request and make a final determination on how the ARRA transactions should be recorded. The Comptroller General’s Office will provide a written response to each agency that requests an exemption.
- ARRA funds should be used for the intended purpose. For example, ARRA funds should not be transferred to other non-ARRA subfunds and used to cover operating deficits or other expenses that are not allowable.
- Agencies should not transfer funds from an ARRA subfund to spend the funds in a non-ARRA subfund. Agencies with concerns about this requirement should submit a request in writing to the Comptroller General’s Office Statewide Accounting Division. This request can be submitted via mail, fax, or e-mail. The Comptroller

General's Office will review each request and make a final determination on how the ARRA transactions should be recorded. The Comptroller General's Office will provide a written response to each agency that requests an exemption.

- Agencies should not expend funds for ARRA related transactions in a non-ARRA subfund and then transfer a "rolled-up" summary of expenditures to the ARRA subfund. Agencies that anticipate a problem with this requirement should submit a request for an exemption in writing to the Comptroller General's Office Statewide Accounting Division. This request can be submitted via mail, fax, or e-mail. The Comptroller General's Office will review each request and make a final determination on how the ARRA transactions should be recorded. The Comptroller General's Office will provide a written response to each agency that requests an exemption.

If you have questions concerning this document, contact:

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